

**PLEASANT TOWNSHIP, KANSAS
ROSE HILL, KANSAS**

**FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

PLEASANT TOWNSHIP, KANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2014

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CHAD A. ANDRA, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Board of Trustees

Pleasant Township, Kansas

Rose Hill, KS 67133

We were engaged to audit the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the **Pleasant Township, Rose Hill, Kansas**, a Municipal Financial Reporting Entity, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the **Pleasant Township, Rose Hill, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **Pleasant Township, Rose Hill, Kansas**, as of December 31, 2014, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Disclaimer of Opinion on Regulatory Basis of Accounting

The township's records for 2014 were handled by two treasurers that year due to the fact that the first treasurer resigned. In addition to being unable to verify sufficient information through confirmation responses and the amount of time that has passed since 2014, we were unable to obtain sufficient audit evidence to determine if the financial statement is in conformity with the regulatory basis of accounting. The potential effect of undetected misstatements, if any, could be material and pervasive.

Disclaimer of Opinion on Regulatory Basis of Accounting

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the regulatory basis of accounting. Accordingly, we do not express an opinion on the regulatory basis of accounting on these financial statements.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget, individual fund schedules of regulatory basis receipts and expenditures - actual and budget, schedule of regulatory basis receipts and expenditures (Schedules 1 and 2 including 2-1, 2-2, and 2-3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion, that the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1, because of the matter described in the Basis for Disclaimer of Opinion paragraph.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC

December 27, 2018

PLEASANT TOWNSHIP, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2014

<u>Funds</u>	Beginning Unencumbered <u>Cash Balance</u>	PriorYr Cancelled Encum- brances	<u>Receipts</u>	<u>Expenditures</u>	Ending Unencumbered <u>Cash Balance</u>	Add Encumbrances and Accounts <u>Payable</u>	Ending <u>Cash Balance</u>
General Fund	\$ 43,668	\$ -	\$ 88,169	\$ 49,538	\$ 82,299	\$ -	\$ 82,299
Special Purpose Funds:							
Road Fund	697	-	410,002	410,699	-	-	-
Special Equipment Fund	5,010	-	-	5,010	-	-	-
	<u>\$ 49,375</u>	<u>\$ -</u>	<u>\$ 498,171</u>	<u>\$ 465,247</u>	<u>\$ 82,299</u>	<u>\$ -</u>	<u>\$ 82,299</u>
Composition of Cash: Checking Account							\$ 82,299
Total							<u>\$ 82,299</u>

The notes to the financial statement are an integral part of this statement.

PLEASANT TOWNSHIP, KANSAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies:
Financial Reporting Entity

Pleasant Township is a municipal corporation governed by an elected three-member board of trustees. This regulatory financial statement presents Pleasant Township (the municipality financial reporting entity).

Regulatory Basis Fund Types

General Fund - the chief operating fund, used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond & Interest Fund - used to account for the accumulation of resources including tax levies, transfers from other funds, and payment of general long-term debt.

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

Trust Fund - funds used to report assets held in trust for the benefit of the municipal reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

Agency Fund - used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing, county treasurer tax collection accounts, etc.)

PLEASANT TOWNSHIP, KANSAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies: (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other asset, liabilities, or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Note 2 - Budgetary Information:

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

PLEASANT TOWNSHIP, KANSAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 2 - Budgetary Information: (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, and certain Special Purpose funds as noted in the presentation of the appropriate Schedule 2.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Reimbursed Expenses

The Township records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Note 3 - Deposits and Investments:

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Township has no other policies that would further limit interest rate risk.

PLEASANT TOWNSHIP, KANSAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 3 - Deposits and Investments: (Continued)

K.S.A. 12-1675 limits the Township's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State statutes require the Township's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured as of December 31, 2014.

As of December 31, 2014 the Township's carrying amount of deposits was \$82,299 and the bank balance was \$82,299. The bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

PLEASANT TOWNSHIP, KANSAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 4 - Long-Term Debt:

The information on the leases in the Township files were not complete and accurate. The statement of indebtedness on the budget documents were not correctly filled out. As a result this note disclosure is incomplete.

Changes in long-term debt for the Township for the year ended December 31, 2014, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Prior Year Adjustments or Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Capital Leases Payable:									
Backhoe Loader Lease	3.30%	9/2/2011	\$ 75,141		\$ 74,097	\$ -	\$ 13,558	\$ 60,539	\$ 2,575
Motor Grader Lease	3.55%	8/1/2011	161,592		100,745	-	18,435	82,310	3,500
Roller Lease	3.30%	4/15/2013	10,280		5,012	-	5,012	-	
Total Contractual Indebtedness					\$ 179,854	\$ -	\$ 37,005	\$ 142,849	\$ 6,075

Current maturities of long-term debt and interest for the next five years through maturity are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Principal:						
Backhoe Lease						\$ -
Motor Grader Lease						-
Roller Lease						\$ -
Total Principal	-	-	-	-	-	-
Interest						
Backhoe Lease						-
Motor Grader Lease						-
Excavator Lease						-
Total Interest	-	-	-	-	-	-
Total Principal and Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note 5 - Interfund Transfers:

Operating transfers were as follows:

<u>From</u>	<u>To:</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Special Equipment Fund	General Fund	K.S.A. 80-122	\$ 5,010
			<u>\$ 5,010</u>

PLEASANT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

Note 6 - Other Post Employment Benefits:

As provided by K.S.A. 12-5040, the Township allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Township is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of the subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Township makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Note 7 - Claims and Judgements:

The Township participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the grantor government. The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has purchased commercial insurance for these potential risks.

During the ordinary course of its operations, the Township is party to various claims, legal actions and complaints. It is the opinion of the Township's management that these matters are not anticipated to have a material financial impact on the Township.

Note 8 - Subsequent Events:

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report, which is the date at which the financial statements were available to be issued.

Note 9 - Compliance with Kansas Statutes:

References made herein to the statutes are not intended as interpretations of the law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representation of the Township. No material violations were noted.

PLEASANT TOWNSHIP, KANSAS
REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2014

PLEASANT TOWNSHIP, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2014

<u>Fund</u>	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund					
General Fund	\$ 102,223	\$ -	\$ 102,223	\$ 49,538	\$ (52,685)
Special Purpose Funds					
Road Fund	431,512	-	431,512	410,699	\$ (20,813)
	<u>\$ 533,735</u>	<u>\$ -</u>	<u>\$ 533,735</u>	<u>\$ 460,237</u>	<u>\$ (73,498)</u>

PLEASANT TOWNSHIP, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2014

	2014		Variance -
	<u>Actual</u>	<u>Budget</u>	Over (Under)
Cash Receipts			
Taxes			
Butler County Treasurer	\$ 84,968	\$ 102,223	\$ (17,255)
Cemetery	3,150	-	3,150
Miscellaneous	-	-	-
Use of Money and Property			
Insurance Proceeds	-	-	-
Sale of Equipment	-	-	-
Interest	51	-	51
	<u>88,169</u>	<u>102,223</u>	<u>(14,054)</u>
Expenditures			
General Government			
Salaries and Wages	10,838	12,000	(1,162)
Professional Fees	2,153	-	2,153
Supplies	1,560	55,478	(53,918)
Buildings Maintenance	-	9,896	(9,896)
Mileage	771	-	771
Road Expense	475	-	475
Cemetery	3,050	5,000	(1,950)
Utilities	6,075	-	6,075
Insurance and Contract Labor	29,407	15,849	13,558
Miscellaneous	219	4,000	(3,781)
Transfers	(5,010)	-	(5,010)
	<u>49,538</u>	<u>\$ 102,223</u>	<u>\$ (52,685)</u>
Receipts Over (Under) Expenditures	38,631		
Unencumbered Cash, Beginning	<u>43,668</u>		
Unencumbered Cash, Ending	<u>\$ 82,299</u>		

PLEASANT TOWNSHIP, KANSAS
ROAD FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2014

	2014		Variance -
	<u>Actual</u>	<u>Budget</u>	Over
			<u>(Under)</u>
Cash Receipts			
Taxes			
Butler County Treasurer	\$ 410,002	\$ 431,512	\$ (21,510)
Other	-	-	\$ -
	<u>410,002</u>	<u>431,512</u>	<u>(21,510)</u>
Expenditures			
General Government			
Salaries and Wages	81,983	75,000	6,983
Employee Benefits	-	5,000	(5,000)
Insurance	-	20,000	(20,000)
Mileage	-	3,000	(3,000)
Road Maintenance	3,672	-	3,672
Road Materials, Supplies, Parts	301,611	105,448	196,163
Fuel	48,123	61,864	(13,741)
Reimbursements	(93,916)	4,200	(98,116)
Machine Equipment Lease	38,326	107,000	(68,674)
Payroll Expenses	30,900	27,000	3,900
Noxious Weeds	-	3,000	(3,000)
Miscellaneous	-	20,000	(20,000)
Transfers	-	-	-
	<u>410,699</u>	<u>\$ 431,512</u>	<u>\$ (20,813)</u>
Receipts Over (Under) Expenditures	(697)		
Unencumbered Cash, Beginning	<u>697</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

PLEASANT TOWNSHIP, KANSAS
SPECIAL EQUIPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended December 31, 2014

	<u>2014</u>
	Current Year <u>Actual</u>
Cash Receipts	
Transfers from General Fund	\$ -
Transfers from Road Fund	
	<u>-</u>
Expenditures	
Payroll	-
Equipment	5,010
Road Materials	-
Other	-
	<u>5,010</u>
Receipts Over (Under) Expenditures	(5,010)
Unencumbered Cash, Beginning	5,010
Prior Year Cancelled Encumbrances	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>